

WC 05-226



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WASHINGTON, DC 20004-2402  
PHONE 202.783.0800  
FAX 202.383.6610  
A LIMITED LIABILITY PARTNERSHIP

June 30, 2005

DIRECT DIAL (202) 383-7041  
FILE 06363.0004

VIA OVERNIGHT MAIL

FCC/MELLON JUL 01 2005

Federal Communications Commission  
Wireline Competition Bureau -  
CPD - 214 Appls.  
P.O. Box 358145  
Pittsburgh, PA 15251-5145

Re: JOINT APPLICATION FOR CONSENT TO TRANSFER INTERNATIONAL AND  
DOMESTIC AUTHORITY PURSUANT TO SECTION 214 OF THE  
COMMUNICATIONS ACT OF 1934, AS AMENDED

Dear Sir/Madam:

Enclosed, please find an original and four copies of the Joint Application for Consent to Transfer International and Domestic Authority submitted by the above-referenced parties. Included in this package is a completed FCC Form 159 and a check in the amount of \$895.00 to cover the filing fee payment for this transfer of authority.

Additionally, we are concurrently filing the attached Joint Application with the Federal Communications Commission's International Bureau.

Please stamp and return the extra copy in the enclosed, self-addressed envelope. Should you have any questions concerning this submission, kindly contact the undersigned.

Sincerely,

A handwritten signature in black ink, appearing to read 'Oral D. Pottinger'.

Oral D. Pottinger

Enclosures

READ INSTRUCTIONS CAREFULLY  
BEFORE PROCEEDING

FEDERAL COMMUNICATIONS COMMISSION  
REMITTANCE ADVICE

Approved by OMB  
3060-0589  
Page 1 of 2

(1) LOCK BOX # 358145		SPECIAL USE ONLY	
		FCC USE ONLY	
<b>SECTION A - PAYER INFORMATION</b>			
(2) PAYER NAME (if paying by credit card enter name exactly as it appears on the card) <b>Howrey LLP</b>		(3) TOTAL AMOUNT PAID (U.S. Dollars and cents) <b>\$895.00</b>	
(4) STREET ADDRESS LINE NO. 1 <b>1299 Pennsylvania Avenue, NW</b>			
(5) STREET ADDRESS LINE NO. 2			
(6) CITY <b>Washington</b>		(7) STATE <b>DC</b>	(8) ZIP CODE <b>20004</b>
(9) DAYTIME TELEPHONE NUMBER (include area code) <b>(202) 383-7041</b>		(10) COUNTRY CODE (if not in U.S.A.)	
<b>FCC REGISTRATION NUMBER (FRN) REQUIRED</b>			
(11) PAYER (FRN) <b>0010-4916-03</b>		(12) FCC USE ONLY	
<b>IF MORE THAN ONE APPLICANT, USE CONTINUATION SHEETS (FORM 159-C) COMPLETE SECTION BELOW FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET</b>			
(13) APPLICANT NAME <b>Seren Innovations, Inc.</b>			
(14) STREET ADDRESS LINE NO. 1 <b>15 South 5th Street</b>			
(15) STREET ADDRESS LINE NO. 2 <b>Suite 500</b>			
(16) CITY <b>Minneapolis</b>		(17) STATE <b>MN</b>	(18) ZIP CODE <b>55402</b>
(19) DAYTIME TELEPHONE NUMBER (include area code) <b>(612) 395-3513</b>		(20) COUNTRY CODE (if not in U.S.A.)	
<b>FCC REGISTRATION NUMBER (FRN) REQUIRED</b>			
(21) APPLICANT (FRN) <b>0003-7223-29</b>		(22) FCC USE ONLY	
<b>COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET</b>			
(23A) CALL SIGN/OTHER ID	(24A) PAYMENT TYPE CODE <b>CUT</b>	(25A) QUANTITY	
(26A) FEE DUE FOR (PTC) <b>\$895.00</b>	(27A) TOTAL FEE <b>\$895.00</b>	FCC USE ONLY	
(28A) FCC CODE 1		(29A) FCC CODE 2	
(23B) CALL SIGN/OTHER ID	(24B) PAYMENT TYPE CODE	(25B) QUANTITY	
(26B) FEE DUE FOR (PTC)	(27B) TOTAL FEE	FCC USE ONLY	
(28B) FCC CODE 1		(29B) FCC CODE 2	
<b>SECTION D - CERTIFICATION</b>			
I, <u>Oral Parker</u> , certify under penalty of perjury that the foregoing and supporting information is true and correct to the best of my knowledge, information and belief.			
SIGNATURE <u>Oral Parker</u>		DATE <u>6/30/05</u>	
<b>SECTION E - CREDIT CARD PAYMENT INFORMATION</b>			
MASTERCARD _____ VISA _____ AMEX _____ DISCOVER _____			
ACCOUNT NUMBER _____		EXPIRATION DATE _____	
I hereby authorize the FCC to charge my credit card for the service(s)/authorization herein described.			
SIGNATURE _____		DATE _____	

SEE PUBLIC BURDEN ON REVERSE

FCC FORM 159

FEBRUARY 2003 (REVISED)

<b>FEDERAL COMMUNICATIONS COMMISSION</b> <b>REMITTANCE ADVICE (CONTINUATION SHEET)</b> Page No. <b>2</b> of <b>2</b>		SPECIAL USE FCC USE ONLY
<b>USE THIS SECTION ONLY FOR EACH ADDITIONAL APPLICANT</b> <b>SECTION BB - ADDITIONAL APPLICANT INFORMATION</b>		
(13) APPLICANT NAME <b>Wave Division Holdings</b>		
(14) STREET ADDRESS LINE NO. 1 <b>401 Kirkland Park Place</b>		
(15) STREET ADDRESS LINE NO. 2 <b>Suite 410</b>		
(16) CITY <b>Kirkland</b>	(17) STATE <b>WA</b>	(18) ZIP CODE <b>98033</b>
(19) DAYTIME TELEPHONE NUMBER (include area code) <b>(425) 576-8200</b>		(20) COUNTRY CODE (if not in U.S.A.)
<b>FCC REGISTRATION NUMBER (FRN) REQUIRED</b>		
(21) APPLICANT (FRN) <b>0008-24-5839</b>		(22) FCC USE ONLY
<b>COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET</b>		
(23A) CALL SIGN/OTHER ID	(24A) PAYMENT TYPE CODE	(25A) QUANTITY
(26A) FEE DUE FOR (PTC)	(27A) TOTAL FEE	(28A) FCC CODE 1 (29A) FCC CODE 2
(23B) CALL SIGN/OTHER ID	(24B) PAYMENT TYPE CODE	(25B) QUANTITY
(26B) FEE DUE FOR (PTC)	(27B) TOTAL FEE	(28B) FCC CODE 1 (29B) FCC CODE 2
(23C) CALL SIGN/OTHER ID	(24C) PAYMENT TYPE CODE	(25C) QUANTITY
(26C) FEE DUE FOR (PTC)	(27C) TOTAL FEE	(28C) FCC CODE 1 (29C) FCC CODE 2
(23D) CALL SIGN/OTHER ID	(24D) PAYMENT TYPE CODE	(25D) QUANTITY
(26D) FEE DUE FOR (PTC)	(27D) TOTAL FEE	(28D) FCC CODE 1 (29D) FCC CODE 2
(23E) CALL SIGN/OTHER ID	(24E) PAYMENT TYPE CODE	(25E) QUANTITY
(26E) FEE DUE FOR (PTC)	(27E) TOTAL FEE	(28E) FCC CODE 1 (29E) FCC CODE 2
(23F) CALL SIGN/OTHER ID	(24F) PAYMENT TYPE CODE	(25F) QUANTITY
(26F) FEE DUE FOR (PTC)	(27F) TOTAL FEE	(28F) FCC CODE 1 (29F) FCC CODE 2

Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
WASHINGTON, D.C. 20554

In the Matter of	)	
	)	
<b>WAVEDIVISION HOLDINGS, LLC</b>	)	
	)	
Transferee,	)	
	)	
<b>SEREN INNOVATIONS, INC.</b>	)	File No. _____
	)	
Transferors,	)	
	)	
Joint Application for Consent to Transfer	)	
International and Domestic Authority	)	
Pursuant to Section 214 of the	)	
Communications Act of 1934, as amended	)	

**JOINT APPLICATION FOR CONSENT TO**  
**TRANSFER INTERNATIONAL AND DOMESTIC AUTHORITY PURSUANT**  
**TO SECTION 214 OF THE COMMUNICATIONS ACT OF 1934, AS AMENDED**

Pursuant to Section 214 of the Communications Act of 1934, as amended, ("Communications Act"), 47 U.S.C. § 214, and Sections 63.03 and 63.24 of the Commission's Rules, 47 C.F.R. §§ 63.03, 63.24, WaveDivision Holdings, LLC ("Wave") and Seren Innovations, Inc. ("Seren") (together "Applicants") hereby request consent to transfer domestic and international authority related to the transfer of certain assets and related liabilities of Seren to Wave. The assets include the reception and distribution system providing facilities-based local and long distance service, cable television service, and high speed data service to customers to subscribers in the communities of Concord, Walnut Creek and nearby areas of Contra Costa County, California (referred to herein as the "System" and the subscribers to the System are referred to herein as the "California Customer Group"). Seren is a non-dominant carrier authorized by the Commission to provide international and domestic telecommunications services. Wave is not currently an authorized carrier. Applicants seek streamlined processing of this application.<sup>1</sup>

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<sup>1</sup> A Domestic Supplement, containing the information required by 47 C.F.R. § 63.04 is attached hereto as Exhibit A.

In support of this Application, Applicants submit the following information:

**I. THE APPLICANTS**

**(a) Wave**

Wave is a limited liability company organized under the laws of Delaware. Wave currently does not have authorization to provide domestic or international telecommunications services. Wave was established in 2002 and currently serves approximately 80,000 cable television and high-speed data customers in western Washington and southern California. Wave has no affiliation, within the meaning of Section 63.09(e) of the Commission's Rules, 47 C.F.R. § 63.09(e), with a dominant U.S. or foreign facilities-based carrier.

Wave has the financial commitments and the working capital needed to meet the requirements of the California Customer Group for the foreseeable future. Attached hereto as Exhibit B is a copy of the Consolidated Financial Statements of WaveDivision Holdings, LLC and subsidiaries for the year ended December 31, 2004 and for the period March 1, 2003 (commencement of operations) through December 31, 2004. In addition to the financial resources reflected on the attached financial statements, (i) Wave's equity partner, Sandler Capital Management, has committed resources to fund Wave's acquisition and on-going operations of the California Customer Group, and (ii) Wave has obtained an aggregate of \$107,500,000 in senior secured credit facilities from Wells Fargo Bank and other lenders with experience in the cable and telecommunications industries. Wave has the technical expertise, including without limitation call center, billing, technical support and other support services, required to provide first-rate services to the California Customer Group. Wave has retained counsel and has dedicated employees familiar with the relevant regulatory requirements associated with the operation of cable, telecommunications, and high speed data services.

**(b) Seren**

Xcel Energy, Inc is the indirect beneficial owner of all of the outstanding capital stock of Seren. Seren's principal offices are located at 15 South 5<sup>th</sup> Street, Suite 500, Minneapolis, Minnesota 55402. Seren provides facilities-based local and long distance telecommunications

service, cable television service, and high speed data service to the California Customer Group as well as to customers in the cities of Sartell, Sauk Rapids, St. Cloud, St. Joseph and Waite Park and the townships of Haven, LeSauk, Minden, Sauk Rapids and St. Joseph, Minnesota (the "Minnesota Customer Group"). Seren has global authority to provide resold international telecommunications services.<sup>2</sup>

## **II. DESCRIPTION OF TRANSACTION**

On May 24, 2005, Seren and Wave entered into an Asset Purchase Agreement (the "Agreement"). Pursuant to the terms and subject to the conditions of the Agreement, Wave will purchase from Seren substantially all of the assets and assume certain liabilities relating to the System and the California Customer Group. Upon consummation of the transactions contemplated in the Agreement, Wave will acquire ownership of substantially all of the assets used or useful in the operations of the System and will begin to serve the California Customer Group. Seren will continue to provide service to the Minnesota Customer Group. Accordingly, after consummation of the proposed transaction, Seren will retain its authorizations to provide domestic interstate and international telecommunications services to the Minnesota Customer Group.

## **III. PUBLIC INTEREST**

Grant of consent to the transfer of authority will serve the public interest. The Applicants do not anticipate any change to the rates, terms or conditions of service to the California Customer Group as a result of the transaction.<sup>3</sup> Moreover, consummation of the proposed transaction will serve the public interest in promoting competition in the domestic and international telecommunications market by providing Wave the opportunity to strengthen its competitive position by combining the California Customer Group with Wave's current

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<sup>2</sup> Seren Innovations, Inc. is authorized by the Commission's International Bureau to provide resold international telecommunications services pursuant to File Number: ITC-214-19990310-00139.

<sup>3</sup> The Applicants will notify each affected customer at least 30 days in advance of consummation of the pending transaction to ensure a smooth transition from Seren to Wave. See sample customer notification letter at Exhibit E.

services, products and expertise. Moreover, approval of the transfer will permit Wave, a West coast provider, to realize economic and marketing efficiencies which will enhance its ability to provide high-quality, low-cost telecommunications services and to compete effectively in the telecommunications market. In addition, the transaction will place assets dedicated to servicing the California Customer Group in the hands of a company that is focused on providing cable, telecommunications and high-speed data services. Accordingly, the proposed acquisition will benefit consumers through improved services, thereby promoting competition in the telecommunications market.

For each of the foregoing reasons, grant of consent to the transfer of authority is in the public interest.

#### **IV. SPECIFIC PART 63 INFORMATION**

As required by Section 63.24(e)(2) of the Commission's Rules, the Applicants submit the following information:<sup>4</sup>

**(a) Names, addresses and telephone numbers of the Applicants:**

*Transferee*

WaveDivision Holdings, LLC  
401 Kirkland Park Place,  
Suite 410  
Kirkland, Washington 98033  
Telephone: (425) 576-8200

*Transferor*

Seren Innovations, Inc.  
15 South 5<sup>th</sup> Street,  
Suite 500  
Minneapolis, Minnesota 55402

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<sup>4</sup> Seren holds international section 214 authority to provide resold international telecommunications services. Wave does not hold international section 214 authority. Seren holds authority to provide domestic interstate telecommunications services pursuant to a blanket license provided by section 63.01 (a) of the Commission's rules. Wave does not hold authority to provide domestic interstate telecommunications services.

Telephone: (612) 395-3513

**(b) The Government, State, or Territory under the laws of which each of the Applicants is organized:**

Wave is a limited liability company organized under the laws of the State of Delaware.

Seren is a corporation organized under the laws of Minnesota.

**(c) Correspondence concerning this Application should be addressed to:**

Steven B. Weed  
Chief Executive Officer  
WaveDivision Holdings, LLC  
401 Kirkland Park Place,  
Suite 410  
Kirkland, WA 98033  
Telephone: (425) 896-1900  
Facsimile: (425) 576-8221  
Email: [steve@wavebroadband.com](mailto:steve@wavebroadband.com)

with a copy to:

Jim Penney  
Cairncross & Hempelmann, P.S.  
524 Second Avenue,  
Suite 500  
Seattle, WA 98104-2323  
Telephone: (206) 254-4452  
Facsimile: (206) 254-4552  
Email: [jpenney@cairncross.com](mailto:jpenney@cairncross.com)

Counsel to WaveDivision Holdings, LLC

AND

Oral Pottinger  
Howrey LLP  
1299 Pennsylvania Avenue, NW  
Washington, D.C. 20004  
Telephone: (202) 383-7041  
Facsimile: (202) 383-6610  
Email: [PottingerO@howrey.com](mailto:PottingerO@howrey.com)  
Counsel to Seren Innovations, Inc.



with a copy to:

• Jim Gamble  
Vice President, Strategic Planning & Administration  
Seren Innovations, Inc.  
15 South 5<sup>th</sup> Street,  
Suite 500  
Minneapolis, MN 55402  
Telephone: (612) 395-3513  
Facsimile: (612) 395-3501  
Email: [jgamble@seren.com](mailto:jgamble@seren.com)

**(d) Statement as to previous Section 214 authorization:**

As discussed above, Seren previously received authority from the Commission under Section 214 of the Communications Act to provide resold international telecommunications services.<sup>5</sup> As discussed above, Wave has not previously received authority from the Commission under Section 214 of the Communications Act.<sup>6</sup>

**(e) This Application requests Commission consent to the transfer authority relating to Seren's California Customer Group from Seren to Wave.**

**(f) Not applicable.**

**(g) Not applicable.**

**(h) The following entities hold a ten percent (10%) or greater ownership interest in Wave:**

<u>Name/Address</u>	<u>% Held</u>	<u>Citizenship</u>	<u>Principal Business</u>
WaveDivision Capital, LLC 401 Kirkland Park Place Suite 410 Kirkland, WA 98033	10% Class A Units	USA	Investment Activities

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<sup>5</sup> See *supra* at 2, n.2.

<sup>6</sup> See *supra* at 3, n.4.

<u>Name/Address</u>	<u>% Held</u>	<u>Citizenship</u>	<u>Principal Business</u>
Sandler Capital Partners V, L.P.	90% Class Units	USA	Investment Activities

SCP V Germany  
WaveDivision Holdings,  
L.P.

SCP V Germany  
WaveDivision Holdings,  
L.P.

(each is a Delaware  
Limited Partnership)

767 Fifth Avenue, 45<sup>th</sup>  
Floor  
New York, NY 10153

<u>Name/Address</u>	<u>% Held</u>	<u>Citizenship</u>	<u>Principal Business</u>
WaveDivision Networks, LLC, a Washington limited liability company	85% Class B & C Units	USA	Investment Activities

401 Kirkland Park Place,  
Suite 410  
Kirkland, WA 98033

<u>Name/Address</u>	<u>% Held</u>	<u>Citizenship</u>	<u>Principal Business</u>
Steve Friedman  401 Kirkland Park Place, Suite 410 Kirkland, WA 98033	15% Class B & C Units	USA	Chief Operations Officer of WaveDivision Holdings, LLC

- (i) **Certification that Wave is not a foreign carrier and is not affiliated with a foreign carrier:**

*See Exhibit C.*

- (j) **Certification that Wave does not intend to provide international telecommunications services to a destination country for which any of**

**Sections 63.18(j)(1)-(4) of the Commission's Rules, 47 C.F.R. § 63.18(j)(1)-(4) is true:**

*See Exhibit C.*

- (k) Not applicable (see response to item (j)).**
- (l) Not applicable (see response to item (j)).**
- (m) Not applicable (see response to item (j)).**
- (n) Certification that Wave has not agreed to accept special concessions directly or indirectly from any foreign carrier with respect to any U.S. international route where the foreign carrier possesses market power on the foreign end of the route and will not enter into such agreements in the future:**

*See Exhibit C.*

- (o) Certifications by Applicants that no party to this Application is subject to a denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1998, 21 U.S.C. 853(a):**

*See Exhibits C and D.*

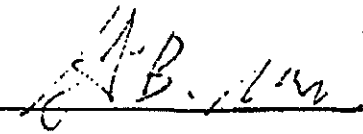
- (p) Streamlined processing.**

Applicants request streamlined processing of this application pursuant to Section 63.12 of the Commission's Rules, 47 C.F.R. § 63.12. This Application is eligible for streamlined processing pursuant to Section 63.12 of the Commission's Rules because: (1) Wave, the transferee, is not affiliated with a foreign carrier; (2) Wave is not affiliated with a dominant U.S. carrier; and (3) Wave does not seek authority to provide switched basic services over private lines to a country for which the Commission has not previously authorized the provision of switched services over private lines. *See* 47 C.F.R. §§ 63.12(a)-(c).

## **V. CONCLUSION**

For the foregoing reasons stated, Wave and Seren respectfully submit that grant of this Application would serve the public interest, convenience and necessity.

Respectfully submitted,

By: 

By: \_\_\_\_\_

Steven B. Weed  
Chief Executive Officer  
WaveDivision Holdings, LLC  
401 Kirkland Park Place  
Suite 410  
Kirkland, WA 98033  
Telephone: (425) 896-1900  
Facsimile: (425) 576-8221  
Email: [stevew@wavebroadband.com](mailto:stevew@wavebroadband.com)

James H. Gamble  
Vice President, Strategic Planning &  
Administration  
Seren Innovations, Inc.  
15 South 5<sup>th</sup> Street  
Suite 500  
Minneapolis, MN 55402  
Telephone: (612) 395-3500  
Facsimile: (612) 395-3501  
Email: [jgamble@seren.com](mailto:jgamble@seren.com)

Dated: June 29, 2005

Respectfully submitted,

By: \_\_\_\_\_

By: James H. Gamble

Steven B. Weed  
Chief Executive Officer  
WaveDivision Holdings, LLC  
401 Kirkland Park Place  
Suite 410  
Kirkland, WA 98033  
Telephone: (425) 896-1900  
Facsimile: (425) 576-8221  
Email: [steve@wavebroadband.com](mailto:steve@wavebroadband.com)

James H. Gamble  
Vice President, Strategic Planning &  
Administration  
Seren Innovations, Inc.  
15 South 5<sup>th</sup> Street  
Suite 500  
Minneapolis, MN 55402  
Telephone: (612) 395-3500  
Facsimile: (612) 395-3501  
Email: [jgamble@seren.com](mailto:jgamble@seren.com)

Dated: June 29, 2005

**EXHIBIT A**  
**DOMESTIC SUPPLEMENT**

**DOMESTIC SUPPLEMENT TO**  
**JOINT INTERNATIONAL AND DOMESTIC APPLICATION FOR CONSENT**  
**TO TRANSFER INTERNATIONAL AND DOMESTIC AUTHORITY**  
**PURSUANT TO SECTION 214 OF THE**  
**COMMUNICATIONS ACT OF 1934, AS AMENDED**

Pursuant to 47 C.F.R. § 63.04 (b), the following information required by 47 C.F.R. 63.04(a)(6)-(a)(12) is supplied in connection with the attached Joint International and Domestic Application For Consent To Transfer International and Domestic Authority Pursuant to Section 214 of the Communications Act of 1934, as amended.

**(6) Description of the transaction:**

On May 24, 2005, Seren and Wave entered into an Asset Purchase Agreement (hereinafter the "Agreement"). Pursuant to the terms and subject to the conditions of the Agreement, Wave will purchase from Seren substantially all of the assets and assume certain liabilities relating to the reception and distribution system providing facilities-based local and long distance service, cable television service, and high speed data service to customers to subscribers in the communities of Concord, Walnut Creek and nearby areas of Contra Costa County, California (referred to herein as the "System" and the subscribers to the System are referred to herein as the "California Customer Group"). Upon consummation of the transactions contemplated in the Agreement, Wave will own and operate the System and serve the California Customer Group, and Seren will continue to provide service to all of its other customers. Accordingly, after consummation of the proposed transaction, Seren will retain its authorizations to provide domestic interstate and international telecommunications services to customers outside the California Customer Group.

**(7) A description of the geographic areas in which the transferor and transferee (and their affiliates) offer domestic telecommunications services, and what services are provided in each area:**

Wave provides cable television and high-speed data services to customers in western Washington and southern California. Seren provides local and long distance telecommunication service, cable television service, and high speed data service to customers in the cities of Concord and Walnut Creek, and portions of Contra Costa County in California, and the cities of Sartell, Sauk Rapids, St. Cloud, St. Joseph and Waite Park and the townships of Haven, LeSauk, Minden, Sauk Rapids and St. Joseph, Minnesota.

**(8) A statement as to how the application fits into one or more of the presumptive streamlined categories in section 63.03 or why it is otherwise appropriate for streamlined treatment:**

Wave, as transferee, will have less than a 10 percent market share in the interstate, inter-exchange market as a result of the transaction and will provide services exclusively in geographic areas served by a dominant local exchange carrier that is not a party to this transaction. Further,

neither Wave nor Seren is dominant with respect to any service. Therefore, this application is appropriate for streamlined treatment pursuant to 47 C.F.R. § 63.03 (b)(2).

**(9) Identification of all other Commission applications related to the same transaction:**

The attached application for consent to the transfer of domestic and international authority related to the assets used in the provision of international telecommunications services is being submitted herewith.

**(10) A statement of whether the applicants are requesting special consideration because either party to the transaction is facing imminent business failure:**

Applicants do not seek special consideration in this Application.

**(11) Identification of any separately filed waiver requests being sought in conjunction with the transaction:**

Applicants do not seek any waivers in conjunction with the transactions discussed in this Application.

**(12) A statement showing how grant of the application will serve the public interest, convenience and necessity, including any additional information that may be necessary to show the effect of the proposed transaction on competition in domestic markets:**

The grant of the proposed transfer of authority will serve the public interest. The Applicants do not anticipate any change to the rates, terms or conditions of service to the California Customer Group as a result of the transaction. Consummation of the proposed transaction will serve the public interest in promoting competition in the domestic telecommunications market by providing Wave the opportunity to strengthen its competitive position by combining Seren's California Customer Group with Wave's current services, products and expertise. Moreover, approval of the transfer will permit Wave, a West coast provider, to realize economic and marketing efficiencies which will enhance its ability to provide high quality, low cost telecommunications services and to compete effectively in the telecommunications market. In addition, the transaction will place assets dedicated to servicing the California Customer Group in the hands of a company that is dedicated to providing telecommunications, cable, and high-speed data service. Accordingly, the proposed transfer of authority will benefit consumers through improved services, thereby promoting competition in the telecommunications market.

For each of the foregoing reasons, grant of consent to the proposed transfer of authority is in the public interest.



**EXHIBIT B**  
**CONSOLIDATED FINANCIAL STATEMENTS OF WAVEDIVISION HOLDINGS, LLC AND**  
**SUBSIDIARIES**

## CONSOLIDATED FINANCIAL STATEMENTS

WaveDivision Holdings, LLC and Subsidiaries

(a majority owned subsidiary of Sandler Capital Partners V, L.P.)

For the Year Ended December 31, 2004 and for the Period From March 1, 2003

(Commencement of Operations) Through December 31, 2003

WaveDivision Holdings, LLC and Subsidiaries  
(a majority owned subsidiary of Sandler Capital Partners V, L.P.)

Consolidated Financial Statements

For the Year Ended December 31, 2004 and for the Period From March 1, 2003  
(Commencement of Operations) Through December 31, 2003

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## Report of Independent Auditors

Board of Directors  
WaveDivision Holdings, LLC

We have audited the accompanying consolidated balance sheets of WaveDivision Holdings, LLC and subsidiaries (a majority owned subsidiary of Sandler Capital Partners V, L.P.) (the Company) as of December 31, 2004 and 2003, and the related consolidated statements of operations, members' equity, and cash flows for the year ended December 31, 2004 and for the period from March 1, 2003 (Commencement of Operations) through December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of WaveDivision Holdings, LLC and subsidiaries at December 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the year ended December 31, 2004 and for the period from March 1, 2003 (Commencement of Operations) through December 31, 2003, in conformity with accounting principles generally accepted in the United States.

*Ernst & Young LLP*



■ Ernst & Young LLP  
Suite 3500  
999 Third Avenue  
Seattle, Washington 98104

■ Phone: (206) 621-1800  
[www.ey.com](http://www.ey.com)

April 28, 2005

WaveDivision Holdings, LLC and Subsidiaries  
(a majority owned subsidiary of Sandler Capital Partners V, L.P.)

Consolidated Balance Sheets

	December 31	
	2004	2003
<b>Assets</b>		
Current assets:		
Cash	\$ 2,558,829	\$ 6,832,622
Accounts receivable, net of allowance for doubtful accounts of \$215,534 and \$166,709 in 2004 and 2003, respectively	4,220,240	2,411,690
Other receivables	346,034	869,214
Deposits	134,110	122,700
Interest rate cap agreement	205,556	288,044
Prepaid expenses and other assets	261,377	58,124
Total current assets	7,726,146	10,582,394
Property, plant, and equipment:		
Cable distribution plant	65,796,428	45,276,945
Customer connections	12,374,127	9,425,836
Cable equipment	18,695,592	12,936,285
Vehicles and test equipment	2,331,871	2,041,859
Land	707,792	380,808
Buildings and leasehold improvements	1,165,884	852,132
Furniture, fixtures, and office equipment	1,300,202	333,939
Construction-in-process	1,079,015	5,555,184
	103,450,911	76,802,988
Less: accumulated depreciation and amortization	(15,534,476)	(4,154,955)
Net property, plant, and equipment	87,916,435	72,648,033
Definite-lived intangibles, net of accumulated amortization	8,262,900	10,819,862
Indefinite-lived intangibles	67,679,855	60,524,162
Total assets	<u>\$171,585,336</u>	<u>\$154,574,451</u>

	December 31	
	2004	2003
<b>Liabilities and members' equity</b>		
Current liabilities:		
Accounts payable	\$ 1,862,164	\$ 1,886,633
Accrued expenses	3,564,584	3,515,577
Unearned revenue and subscriber deposits	3,682,643	1,755,718
Accrued interest	678,556	1,023,033
Interest rate swap agreement	142,763	299,925
Current portion of long-term debt	1,125,000	—
Total current liabilities	11,055,710	8,480,886
Long-term debt	98,875,000	80,000,000
Members' equity:		
Contributed capital	70,277,777	70,277,777
Deferred unit compensation	(482,458)	(686,458)
Accumulated deficit	(8,140,693)	(3,497,754)
Total members' equity	61,654,626	66,093,565
 Total liabilities and members' equity	 <u>\$171,585,336</u>	 <u>\$154,574,451</u>

*See accompanying notes.*

WaveDivision Holdings, LLC and Subsidiaries  
(a majority owned subsidiary of Sandler Capital Partners V, L.P.)

Consolidated Statements of Operations

	Year Ended December 31 2004	For the Period From March 1, 2003 (Commencement of Operations) Through December 31, 2003
Revenues:		
Cable television services	\$26,691,087	\$12,999,869
High-speed data services	8,426,443	2,065,302
Advertising and other	5,347,145	2,086,280
Total revenues	40,464,675	17,151,451
Operating expenses:		
Programming and other direct costs	11,567,306	5,033,985
Depreciation and amortization	15,974,716	6,375,615
Technical service	2,112,238	1,061,422
Customer service	2,766,775	988,410
Marketing	1,339,160	308,188
General and administrative	5,827,100	3,286,337
Loss on asset disposal	446,633	—
Total operating expenses	40,033,928	17,053,957
Income from operations before interest	430,747	97,494
Interest income	20,438	7,297
Interest expense	(4,656,884)	(3,307,664)
Other expense	(437,240)	(294,881)
Net loss	\$ (4,642,939)	\$ (3,497,754)

*See accompanying notes.*



WaveDivision Holdings, LLC and Subsidiaries  
(a majority owned subsidiary of Sandler Capital Partners V, L.P.)

Consolidated Statements of Members' Equity

For the Year Ended December 31, 2004 and for the Period From March 1, 2003  
(Commencement of Operations) Through December 31, 2003

	Units	Contributed Capital	Deferred Unit Compensation	Accumulated Deficit	Total Members' Equity
Contributed capital	69,277,777	\$69,277,777	\$ —	\$ —	\$69,277,777
Compensatory portion of units issued	2,000,000	1,000,000	(1,000,000)	—	—
Amortization of deferred compensation	—	—	313,542	—	313,542
Net loss	—	—	—	(3,497,754)	(3,497,754)
Balance at December 31, 2003	71,277,777	70,277,777	(686,458)	(3,497,754)	66,093,565
Amortization of deferred compensation	—	—	204,000	—	204,000
Net loss	—	—	—	(4,642,939)	(4,642,939)
Balance at December 31, 2004	<u>71,277,777</u>	<u>\$70,277,777</u>	<u>\$ (482,458)</u>	<u>\$ (8,140,693)</u>	<u>\$61,654,626</u>

*See accompanying notes.*

WaveDivision Holdings, LLC and Subsidiaries  
(a majority owned subsidiary of Sandler Capital Partners V, L.P.)

Consolidated Statements of Cash Flows

	Year Ended December 31 2004	For the Period From March 1, 2003 (Commencement of Operations) Through December 31, 2003
<b>Operating activities</b>		
Net loss	\$ (4,642,939)	\$ (3,497,754)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and leasehold amortization	11,510,568	4,154,955
Amortization of definite-lived intangibles	4,692,920	3,789,388
Amortization of deferred unit compensation	204,000	313,542
Provision for doubtful accounts	48,825	166,709
Loss on asset disposal	446,633	-
Changes in operating assets and liabilities:		
Increase in accounts receivable	(1,857,375)	(2,578,399)
Decrease (increase) in other receivables	523,180	(869,214)
Increase in deposits	(11,410)	(122,700)
Increase in prepaid expenses and other assets	(203,253)	(58,124)
Increase (decrease) in accounts payable	(24,469)	1,886,633
Increase in accrued expenses	49,007	3,515,577
Increase in unearned revenue and subscriber deposits	1,926,925	1,755,718
Increase (decrease) in accrued interest	(344,477)	1,023,033
Net cash provided by operating activities	12,318,135	9,479,364
<b>Investing activities</b>		
Acquisition of businesses	(20,031,124)	(141,019,569)
Capital expenditures, including capitalized interest	(16,112,597)	(7,680,710)
Net cash used in investing activities	(36,143,721)	(148,700,279)
<b>Financing activities</b>		
Capital contributions	-	69,277,777
Proceeds from borrowings	22,500,000	102,500,000
Principal repayments on borrowings	(2,500,000)	(22,500,000)
Debt issuance costs	(373,533)	(3,236,121)
Cash paid for interest rate cap	-	(283,000)
Increase (decrease) in fair value of interest rate swap	(157,162)	299,925
Increase (decrease) in fair value of interest rate cap	82,488	(5,044)
Net cash provided by financing activities	19,551,793	146,053,537
Net change in cash	(4,273,793)	6,832,622
Cash at beginning of period	6,832,622	-
Cash at end of period	\$ 2,558,829	\$ 6,832,622
<b>Supplemental information</b> – cash paid during the period for:		
Interest	\$ 4,961,389	\$ 695,137

See accompanying notes.

WaveDivision Holdings, LLC and Subsidiaries  
(a majority owned subsidiary of Sandler Capital Partners V, L.P.)

Notes to Consolidated Financial Statements (continued)

**1. Organization of Business and Summary of Significant Accounting Policies**

**Business**

WaveDivision Holdings, LLC (WDH), a Washington limited liability company (LLC), was formed on November 1, 2002 to own and operate cable television systems. Commencement of operations began effective March 1, 2003 with the acquisition of certain cable systems. As of December 31, 2004, WDH had 19 nonexclusive franchises to operate cable television systems. These franchises expire at various dates through 2014. WDH is a majority owned subsidiary of Sandler Capital Partners V, L.P. WDH operates pursuant to an LLC agreement that describes the ownership structure, allocation of net income (loss), and preferences (see Note 8).

**Principles of Consolidation**

The consolidated financial statements include the accounts of WDH and its wholly owned subsidiaries – WaveDivision I, II, III, and IV, Cedar Communications and Wave Broadband (collectively, the Company). WDH is a holding company for WaveDivision I, II, III, and IV, Cedar Communications and Wave Broadband. The wholly owned subsidiaries individually operate cable television systems in and around the Puget Sound area of Seattle, Washington and Ventura County of Southern California. Intercompany transactions have been eliminated in consolidation.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to makes estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known which could impact the amounts reported and disclosed herein. Actual amounts received could differ from amounts recorded.

WaveDivision Holdings, LLC and Subsidiaries  
(a majority owned subsidiary of Sandler Capital Partners V, L.P.)

Notes to Consolidated Financial Statements (continued)

**1. Organization of Business and Summary of Significant Accounting Policies (continued)**

**Fair Value of Financial Instruments**

Estimated fair value amounts of financial instruments have been determined using available market information and management's judgment. Accordingly, these estimates are not necessarily indicative of the amounts that could be realized in a current market exchange. For cash, other receivables, interest rate cap, prepaid assets and other assets, accounts payable, accrued expenses, interest rate swap, and long-term debt, carrying value is considered a reasonable estimate of fair value.

**Accounts Receivable**

Accounts receivable are recorded at their net realizable value and consist primarily of amounts due from customers for cable television, high-speed data, and advertising services provided by the Company. An allowance for doubtful accounts is estimated and recorded based on aging, historical write-offs, and collateral. Receivables are classified as past due or delinquent based on payment history and contractual terms. Trade accounts receivable are charged off against the allowance after collection efforts have been exhausted.

**Property and Equipment**

Property and equipment are recorded at cost. Costs of additions and substantial improvements, which include materials, labor, and other direct costs associated with the construction of cable transmission and distribution facilities, are capitalized.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 51, *Financial Reporting by Cable Television Companies*, the Company also capitalizes costs associated with initial customer installations. The costs of disconnecting service or reconnecting service to previously installed locations are charged to operating expense in the period incurred. Costs for repairs and maintenance are also charged to operating expense, while equipment replacements are capitalized.

At the time of retirements, sales, or other dispositions of property, the original cost and related accumulated depreciation are removed from the respective accounts, and the gains or losses are included in the statement of operations.

WaveDivision Holdings, LLC and Subsidiaries  
(a majority owned subsidiary of Sandler Capital Partners V, L.P.)

Notes to Consolidated Financial Statements (continued)

**1. Organization of Business and Summary of Significant Accounting Policies (continued)**

Depreciation of property and equipment is calculated using the straight-line method over the following estimated service lives:

Cable distribution plant	8–10 years
Customer connections	1.5–6 years
Cable equipment	7–11 years
Vehicles and test equipment	4–8.5 years
Buildings and improvements	2–40 years
Furniture, fixtures, and office equipment	5–10 years

In 2004, based on management's assessment of customer activities since commencement of operations, the Company reduced its estimated service lives associated with its customer connections and modems from a range of 3 years to 8 years, to a range of 1.5 years to 6 years. The change in estimate was effective January 1, 2004, and resulted in an increase in depreciation in fiscal 2004 of approximately \$0.9 million.

**Capitalized Interest**

The Company capitalizes interest, which is applicable to the construction of property, plant, and equipment until the assets are ready for use. Capitalized interest associated with property, plant, and equipment is amortized on a straight-line basis over the related assets' estimated useful lives. The Company capitalized interest costs of \$188,800 and \$56,500 related to construction of property, plant, and equipment for the periods ended December 31, 2004 and 2003, respectively.

**Intangibles**

Intangibles consist of debt issuance costs, customer relationships, franchise agreements, and goodwill. The Company amortizes intangibles over the assets' estimated useful lives using the straight-line method or the estimated discounted cash flow method. The Company does not amortize goodwill and intangible assets with indefinite lives, but assesses the carrying value for impairment in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*. This assessment is performed on an annual basis, or when an event occurs or circumstances change that could likely reduce the fair value of a reporting unit below its carrying value. The determination of fair value is generally based on either market approach values or discounted estimated future cash flows. Assessing impairment under SFAS No. 142 requires the use of significant assumptions and estimates. The determination of fair values is sensitive to the assumptions and estimates used. Accordingly, any changes in such assumptions or estimates

WaveDivision Holdings, LLC and Subsidiaries  
(a majority owned subsidiary of Sandler Capital Partners V, L.P.)

Notes to Consolidated Financial Statements (continued)

**1. Organization of Business and Summary of Significant Accounting Policies (continued)**

could have a material impact on the resulting fair values and, thus, the assessment of impairment, if any. Likewise, any decrease in the market approach values or discounted estimated future cash flows resulting from future events or lower performance than considered in the various assumptions or estimates used could result in future impairment charges.

**Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is measured by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from use of the assets and their ultimate disposition. In circumstances where impairment is determined to exist, the Company will write the assets down to their estimated fair value based on either the present value of estimated expected future cash flows or the anticipated realizable market value.

**Revenue Recognition**

Cable television and high-speed data services revenue is recognized in the month services are provided to customers. Advance payments on services to be rendered are recorded as subscriber prepayments (deferred revenue). Consistent with SFAS No. 51, installation revenue obtained from the connection of subscribers to the cable system is recognized in the period installation services are provided to the extent of the related direct selling costs. Any remaining amount is deferred and recognized over the estimated average period that customers are expected to remain connected to the cable system. The Company classifies fees collected from cable subscribers for reimbursement of fees paid to local franchise authorities as a component of service revenue because the Company is the primary obligator to the local franchise authority. Revenues resulting from the sale of local spot advertising are recognized when the related advertisements or commercials appear before the public.

**Programming Costs**

The Company incurs programming expense monthly based on the number of subscribers viewing such programming.

WaveDivision Holdings, LLC and Subsidiaries  
(a majority owned subsidiary of Sandler Capital Partners V, L.P.)

Notes to Consolidated Financial Statements (continued)

**1. Organization of Business and Summary of Significant Accounting Policies (continued)**

**Derivatives**

The Company accounts for its derivative and hedging activities in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133* and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities—an Amendment of FASB Statement No. 133*, which established standards for recognition, measurement and reporting of derivative and hedging activities. The Company does not engage in derivative trading, market-making, or speculative activities. The Company enters into derivative financial instruments, particularly interest rate caps and swaps, as hedging transactions to limit and manage its interest rate risk. These contracts are entered into with outside parties and are used to hedge portions of certain liability balances with related exposures.

The Company elected not to designate its derivatives as hedges under SFAS No. 133. Accordingly, the Company has recorded its derivatives at fair value on the consolidated balance sheet, with any changes in fair value being recorded through the consolidated statement of operations.

Exposure to credit risk relating to interest rate caps and swaps (i.e., risk that the counterparty will be unable to perform its obligations) is mitigated through approval controls and by entering into agreements only with higher-rated counterparties.

**Advertising Costs**

The Company expenses advertising costs as they are incurred. Advertising costs totaled \$888,826 and \$205,130 in 2004 and 2003, respectively.

**Concentrations of Credit Risk**

The Company is subject to concentrations of credit risk from cash investments on deposit at various financial institutions that at times exceed insured limits by the Federal Deposit Insurance Corporation. This exposes the Company to potential risk of loss in the event that the institution becomes insolvent.

WaveDivision Holdings, LLC and Subsidiaries  
(a majority owned subsidiary of Sandler Capital Partners V, L.P.)

Notes to Consolidated Financial Statements (continued)

**1. Organization of Business and Summary of Significant Accounting Policies (continued)**

**Income Taxes**

WDH is an LLC (taxable as a partnership for U.S. tax purposes). Taxable income or loss generated by its activities is reported on the tax returns of its members. Accordingly, the accompanying consolidated financial statements do not reflect any provision for federal income taxes. However, the Company does incur various state business and use taxes.

**2. Acquisition of Cable Television Systems**

*Acquisition of Avenue TV Cable*

On October 21, 2004, WDH purchased substantially all of the assets of Avenue TV Cable Service, Inc. (Avenue). The general geographic area represented by Avenue is the city of San Buenaventura and surrounding Ventura County, California. The operations of Avenue have been included in the operations of the Company from October 1, 2004 through December 31, 2004. The total amount paid for this acquisition was \$19.4 million, which included approximately \$0.4 million in acquisition costs. The aggregate purchase price was allocated on the acquisition date, as follows (in millions):

Fixed assets	\$11.0
Customer relationships	1.3
Contracts	0.1
Franchise agreement	7.0
Total purchase price	<u>\$19.4</u>



WaveDivision Holdings, LLC and Subsidiaries  
(a majority owned subsidiary of Sandler Capital Partners V, L.P.)

Notes to Consolidated Financial Statements (continued)

**2. Acquisition of Cable Television Systems (continued)**

*Acquisition of Lake TV Cable*

On March 11, 2003, WDH purchased Lake TV Cable (Cedar Communications). The general geographic areas that represent this cable system are Lakewood, Bryant, Clear Lake, Big Lake, Seven Lakes, and Warm Beach, Washington. The total amount paid for this acquisition was approximately \$13.6 million, including acquisition costs of \$0.6 million. The operations of Lake TV Cable have been included in the operations of the Company beginning March 1, 2003. The aggregate purchase price was allocated on the acquisition date, as follows (in millions):

Fixed assets	\$ 4.5
Customer relationships	0.7
Contracts	0.1
Franchise agreements	6.3
Goodwill	2.0
Total purchase price	<u>\$13.6</u>

*Acquisition of Northland*

On March 11, 2003, WDH purchased Northland, which consists of three operating subsidiaries, Northland Cable Properties Eight Limited Partnership, Northland Cable Properties Seven Limited Partnership, and Northland Cable Television. The general geographic areas that represent these cable systems are Port Angeles, Camano Island, Sequim, Skagit County, and La Conner, Washington. The operations of Northland have been included in the operations of the Company beginning March 11, 2003. The total amount paid for this acquisition was \$36.4 million, which included acquisition costs of \$1.4 million. The aggregate purchase price was allocated on the acquisition date, as follows (in millions):

Other assets (liabilities), net	\$ (0.4)
Fixed assets	22.2
Customer relationships	1.9
Contracts	0.5
Franchise agreement	5.9
Goodwill	6.3
Total purchase price	<u>\$36.4</u>

WaveDivision Holdings, LLC and Subsidiaries  
(a majority owned subsidiary of Sandler Capital Partners V, L.P.)

Notes to Consolidated Financial Statements (continued)

**2. Acquisition of Cable Television Systems (continued)**

*Acquisition of Falcon Video*

On October 1, 2003, WDH purchased Falcon Video Communications Limited Partnership (Charter). The general geographic area represented by Charter is the city of Port Orchard and surrounding Kitsap County, Washington. The operations of Charter have been included in the operations of the Company beginning October 1, 2004. The total amount paid for this acquisition was \$90.9 million, which included approximately \$0.5 million in acquisition costs. The aggregate purchase price was allocated on the acquisition date, as follows (in millions):

Other assets (liabilities), net	\$ 0.2
Fixed assets	42.4
Customer relationships	8.0
Contracts	0.2
Franchise agreement	32.6
Goodwill	7.5
Total purchase price	<u>\$90.9</u>

The above cable television system acquisitions were accounted for as purchase transactions and their costs were allocated based on the relative estimated fair values of net tangible assets acquired, liabilities assumed, and identified intangible assets (i.e., customer relationships, franchisee agreements). Any excess of the purchase price over the fair value of net tangible and intangible assets was allocated to goodwill.

**3. Definite Lived Intangibles**

Definite lived intangibles consist of the following at:

	December 31, 2004			December 31, 2003		
	Cost	Accumulated Amortization	Net Cost	Cost	Accumulated Amortization	Net Cost
Debt issuance costs	\$ 3,609,654	\$1,797,499	\$1,812,155	\$ 3,236,121	\$1,568,727	\$ 1,667,394
Customer relationships	12,074,750	6,394,976	5,679,774	10,544,000	2,114,418	8,429,582
Contracts and other	1,060,803	289,832	770,971	829,128	106,242	722,886
	<u>\$16,745,207</u>	<u>\$8,482,307</u>	<u>\$8,262,900</u>	<u>\$14,609,249</u>	<u>\$3,789,387</u>	<u>\$10,819,862</u>

WaveDivision Holdings, LLC and Subsidiaries  
(a majority owned subsidiary of Sandler Capital Partners V, L.P.)

Notes to Consolidated Financial Statements (continued)

**3. Definite Lived Intangibles (continued)**

*Debt Issuance Costs:* Debt issuance costs are amortized over the terms of the related debt using the straight-line method. In conjunction with entering into the Credit Facility and the Amendment to the Credit Facility in fiscal 2003 (Note 5), the Company incurred debt issuance costs of \$3,236,121. In conjunction with the October 2003 Amendment to the Credit Facility, the Company paid off its initial March 2003 term debt. As a result, debt issuance costs associated with the initial March 2003 debt (\$1,514,940) have been amortized into interest expense during the fiscal period ended December 31, 2003. In April 2004, the Company entered into the second amendment to the Credit Facility and incurred debt issuance costs of \$373,533. Amortization of debt issuance costs is included in interest expense. Debt issuance costs associated with the Credit Facility are being amortized over the eight year life of the Credit Facility.

*Customer Relationships:* Customer relationships represent the estimated fair value of customer relationships obtained in the various acquisitions. The fair value of the customer relationships is considered by management to represent the fair value of such relationships. Customer relationships are being amortized over five years based on estimated discounted cash flows.

Future amortization of definite lived intangibles are expected to be as follows:

	<b>Debt Issuance Costs</b>	<b>Customer Relationships</b>	<b>Contracts</b>	<b>Total</b>
Year ending December 31:				
2005	\$ 268,957	\$2,978,710	\$219,360	\$3,467,027
2006	268,957	1,652,832	216,360	2,138,149
2007	268,957	800,908	207,360	1,277,225
2008	268,957	226,989	127,891	623,837
2009	268,957	20,335	-	289,292
Thereafter	467,370	-	-	467,370
	<u>\$1,812,155</u>	<u>\$5,679,774</u>	<u>\$770,971</u>	<u>\$8,262,900</u>

WaveDivision Holdings, LLC and Subsidiaries  
(a majority owned subsidiary of Sandler Capital Partners V, L.P.)

Notes to Consolidated Financial Statements (continued)

**4. Indefinite-Lived Intangibles**

Indefinite-lived intangibles consist of the following at:

	December 31	
	2004	2003
Franchise agreements	\$51,739,346	\$44,777,000
Goodwill	15,940,509	15,747,162
	<u>\$67,679,855</u>	<u>\$60,524,162</u>

*Franchise Agreements:* The Company determined that its franchise agreements met the definition of indefinite-lived assets due to the history of other franchise cable operators obtaining franchise renewals. Accordingly, the Company does not amortize these indefinite-lived assets but assesses the carrying value for impairment on annual basis. The fair value of franchise agreements is considered by management to represent the fair value of such agreements. The increase in franchise agreements in fiscal 2004 resulted from the acquisition of Avenue.

*Goodwill:* Goodwill represents the excess amount of the purchase price paid over the fair value of various businesses acquired at the date of acquisition. The increase in goodwill in fiscal 2004 primarily represents additional acquisition costs related to the 2003 acquisitions.

**5. Long-Term Debt**

Long-term debt consists of the following:

	December 31	
	2004	2003
Credit Facility:		
Tranche A Term Loan	\$ 50,000,000	\$ 40,000,000
Tranche B Term Loan	50,000,000	40,000,000
Revolver	—	—
Swing Line	—	—
Additional Term Loans	—	—
	<u>100,000,000</u>	<u>80,000,000</u>
Less current portion	(1,125,000)	—
	<u>\$ 98,875,000</u>	<u>\$ 80,000,000</u>

WaveDivision Holdings, LLC and Subsidiaries  
(a majority owned subsidiary of Sandler Capital Partners V, L.P.)

Notes to Consolidated Financial Statements (continued)

**5. Long-Term Debt (continued)**

*Credit Facility*

On March 1, 2003, the Company entered into a \$22.5 million dollar credit facility (the Credit Facility) with various financial institutions. On October 1, 2003, the Company amended its Credit Facility to provide the Company with additional credit. The amended Credit Facility increased the initial \$22.5 million loan to \$40.0 million and renamed the loan (Tranche A Term Loan). In addition, the Company obtained a second loan (Tranche B Term Loan) in the amount of \$40.0 million. The Credit Facility also provides the Company with additional available credit via a Revolver (\$7.5 million) and Swing Line (\$2.5 million). Furthermore, the Credit Facility provides the Company with Additional Term Loan commitments in an amount not to exceed \$60.0 million. In October 2004, the Company again amended its Credit Facility to increase the Tranche A term loan to \$50 million and Tranche B term loan to \$50 million with no changes to other borrowing components. At December 31, 2004, no borrowings are outstanding under the Revolver or Swing Line. In addition, the Company has not entered into any Additional Term Loans. Amounts available under the Revolver and Swing Line can be drawn for general working capital purposes at any time prior to the expiration date of September 30, 2010. The Credit Facility is collateralized by all assets of the Company and has placed certain restrictions on the Company with regard to the issuance of dividends to members.

In accordance with the amended Credit Facility, and at the option of the Company, the Tranche A Term Loan can bear interest using either a Eurodollar rate (LIBOR) based on a maturity of one, two, three, or six months plus a margin ranging from 2.00% to 3.25% based on the Company's consolidated leverage ratio, or at a base rate of the higher of the Prime Rate or  $\frac{1}{2}\%$  of 1% in excess of the Federal Funds effective rate, plus a margin ranging from 0.75% to 2.00% based on the Company's consolidated leverage ratio. At December 31, 2004, outstanding borrowings on the Tranche A Term Loan were bearing interest at 5.56% based on a Eurodollar calculated interest rate. Interest on the Tranche A Term Loan is paid commensurate with the Eurodollar maturity elected, but in no case to exceed 90 days. At December 31, 2004, the

WaveDivision Holdings, LLC and Subsidiaries  
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Notes to Consolidated Financial Statements (continued)

**5. Long-Term Debt (continued)**

Company had elected to pay interest on a one-month maturity for Tranche A Term Loan. Principal repayments on the Tranche A Term Loan are scheduled as a percentage of amounts outstanding at October 1, 2004 (\$50.0 million), as follows:

<u>Date</u>	<u>Percentage</u>
December 31, 2005	2.0%
Each quarter in fiscal 2006	2.0625%
Each quarter in fiscal 2007	3.4375%
Each quarter in fiscal 2008	4.5%
Each quarter in fiscal 2009	4.5%
March 31, 2010	10.0%
June 30, 2010	10.0%
September 30, 2010	Remainder

In accordance with the amended Credit Facility, and at the Company's option, the Tranche B Term Loan can bear interest using either a Eurodollar (LIBOR) rate based on a maturity of one, two, three, or six months, plus a margin ranging from 3.00% to 3.50% based on the Company's consolidated leverage ratio, or a base rate of the higher of the Prime Rate or  $\frac{1}{2}\%$  of 1% in excess of the Federal Funds effective rate, plus a margin ranging from 1.75% to 2.25% based on the Company's consolidated leverage ratio. At December 31, 2004, outstanding borrowings on the Tranche B Term Loan were bearing interest at 5.84% based on a Eurodollar calculated interest rate. Interest on the Tranche B Term Loan is paid commensurate with the Eurodollar maturity elected, but in no case to exceed 90 days. At December 31, 2004, the Company had elected to pay interest on a six-month maturity the Tranche B Term Loan.

Principal repayments on the Tranche B Term Loan are scheduled as a percentage of amounts outstanding at October 1, 2004 (\$50.0 million), as follows:

<u>Date</u>	<u>Percentage</u>
December 31, 2005	0.25%
Each quarter beginning March 31, 2006 through June 30, 2011	0.25%
September 30, 2011	Remainder

WaveDivision Holdings, LLC and Subsidiaries  
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Notes to Consolidated Financial Statements (continued)

**5. Long-Term Debt (continued)**

The Revolver bears interest consistent with that of the Tranche A Term Loan. The Swing Line bears interest consistent with the Revolver, less a percentage ranging from 0.375% to 0.50% based on the Company's consolidated leverage ratio. As of December 31, 2004 and 2003, the Company's effective borrowing rate was 6.16% and 11.024%, respectively. The decrease in the effective borrowing rate resulted from less debt issuance costs being amortized into interest expense in 2004 than in 2003 due to the nature of the Credit Facility amendments.

The Credit Facility contains various restrictive covenants related principally to additional borrowings, capital expenditures, and sale of assets. In addition, the agreements require the Company to maintain various defined financial ratios. During 2004, the Company was in compliance with the covenants of the Credit Facility. In April 2004, the Credit Facility was amended so that the Company would remain in compliance with applicable covenants throughout 2004. The amendment resulted in certain definitions being modified, including the date to provide annual financial statements to the financial institutions. The Company expects to be able to maintain its compliance with the Credit Facility covenants during 2005. The Credit Facility requires the Company to deliver audited financial statements to the lender by April 30, 2005. The Company does not expect to meet this deadline. However, the Credit Facility contains a 30-day cure period. The Company expects to deliver the audited consolidated financial statements by May 31, 2005, which will cure this covenant violation.

Interest expense was comprised of the following:

	<b>December 31</b>	
	<b>2004</b>	<b>2003</b>
Credit facility	<b>\$4,569,088</b>	\$1,795,437
Capitalized interest related to system improvements	<b>(188,800)</b>	(56,500)
Debt issuance costs – amortization	<b>228,772</b>	1,568,727
Other	<b>47,824</b>	—
	<b><u>\$4,656,884</u></b>	<b><u>\$3,307,664</u></b>

WaveDivision Holdings, LLC and Subsidiaries  
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Notes to Consolidated Financial Statements (continued)

**5. Long-Term Debt (continued)**

Other expense was comprised of the following:

	<b>December 31</b>	
	<b>2004</b>	<b>2003</b>
Increase (decrease) in fair value of interest rate cap – noncash	<b>82,488</b>	(5,044)
Payments on interest rate swap, net	<b>511,914</b>	–
Increase (decrease) in fair value of interest rate swap – noncash	<b>(157,162)</b>	299,925
	<b><u>\$437,240</u></b>	<b><u>\$294,881</u></b>

In conjunction with the initial Tranch A Term Loan of \$22.5 million, the Company entered into an interest rate cap agreement with a financial institution for the notional amount of \$22.5 million, effective July 15, 2003 and expiring on June 30, 2006. The Company uses the interest rate cap agreement to limit a portion of the Company's risk to increasing interest rates. The Company's exposure to maximum three-month LIBOR interest rates is limited to 261 basis points on the notional amount of \$22.5 million. At December 31, 2004, the three-month LIBOR interest rate was 2.3%. To date, the interest rate cap has not been reached. There were no premature cap terminations in 2003. The fair value of the interest rate cap was \$205,556 and \$288,044 at December 31, 2004 and 2003, respectively, and is included in other current assets on the consolidated balance sheets. Other expense associated with the interest rate cap was increased by \$82,488 and reduced by \$5,044 during the periods ended December 31, 2004 and 2003, respectively, as the fair value of the interest rate cap fluctuated.

In December 2003, the Company entered into an interest-rate swap agreement with a financial institution for the notional amount of \$28.75 million, which will expire on December 31, 2008. The Company entered into the agreement to hedge against an increase in the LIBOR rate. The Company will receive a floating rate (2.56% at December 31, 2004) and pay a fixed rate of 3.91%. The interest-rate swap agreement matures on December 31, 2008. There were no premature swap terminations in 2003. The fair value of the interest rate swap was \$142,763 and \$299,925 at December 31, 2004 and 2003, respectively, and is included in other current liabilities on the consolidated balance sheets. Other expense associated with the interest rate swap amounted to \$354,752 and \$299,925 during the periods ended December 31, 2004 and 2003, respectively.



WaveDivision Holdings, LLC and Subsidiaries  
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Notes to Consolidated Financial Statements (continued)

**5. Long-Term Debt (continued)**

**Principal Payments**

Annual maturities of long-term debt after December 31, 2004 are as follows:

Year Ending December 31,	
2005	\$ 1,125,000
2006	4,625,000
2007	7,375,000
2008	9,500,000
2009	9,500,000
Thereafter	67,875,000
	<u>\$ 100,000,000</u>

**6. Employee Benefit Plan**

The Company maintains a defined contribution 401(k) salary deferral plan eligible to full-time employees 21 years old and older with more than one year of service. The Company matches employee contributions at the rate of 50% on the first 5% of salary contributed. Contributions by the Company to the plan totaled \$70,617 and \$11,462 for the periods ended December 31, 2004 and 2003.

**7. Commitments and Contingencies**

**Lease Arrangements**

The Company leases certain office facilities and other sites under leases accounted for as operating leases. Minimum lease payments through the end of the lease terms, for those agreements accounted for as operating leases, are as follows:

Year ending December 31:	
2005	\$179,870
2006	158,947
2007	128,760
2008	133,040
2009	56,325
	<u>\$656,942</u>

WaveDivision Holdings, LLC and Subsidiaries  
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Notes to Consolidated Financial Statements (continued)

**7. Commitments and Contingencies (continued)**

The Company also rents utility poles in its operations. Generally, pole rentals are cancelable on short notice, but the Company anticipates that such rentals will recur. Rental expense related to these operating leases and pole rentals amounted to \$644,719 and \$316,732 during the periods ended December 31, 2004 and 2003, respectively.

The Company is a party to various lawsuits and claims that arose in the ordinary course of conducting business. In the opinion of management, the outcome of these lawsuits and claims are not expected to have a material adverse effect on the Company's consolidated financial condition, results of operations or its liquidity.

**Effects of Regulation**

The operation of a cable system is extensively regulated at the federal, local, and in some instances, state levels. The Cable Communications Policy Act of 1984, as amended, the Cable Television Consumer Protection and Competition Act of 1992 (the 1992 Cable Act), and the 1996 Telecommunications Act (the 1996 Telecom Act) (collectively, the Cable Act) establish a national policy to guide the development and regulation of cable television systems. The Federal Communications Commission (FCC) has principal responsibility for implementing the policies of the Cable Act. Many aspects of such regulation are currently the subject of judicial proceedings and administrative or legislative proposals. Legislation and regulations continue to change.

*Cable Rate Regulation* — Although the FCC established the rate regulatory scheme pursuant to the 1992 Cable Act, local municipalities, commonly referred to as local franchising authorities, are primarily responsible for administering the regulation of the lowest level of cable service called the basic service tier. The basic service tier typically contains local broadcast stations and public, educational, and government access channels. Before a local franchising authority begins basic service rate regulation, it must certify to the FCC that it will follow applicable federal rules. Many local franchising authorities have voluntarily declined to exercise their authority to regulate basic service rates.

In a particular effort to ease the regulatory burden on small cable systems, the FCC created special rate rules applicable for systems with fewer than 15,000 subscribers owned by an operator with fewer than 400,000 subscribers. The special rate rules allow for a simplified cost-of-service showing for basic service tier programming. All of the Company's systems are eligible for these simplified cost-of-service rules and have calculated rates in accordance with those rules.

WaveDivision Holdings, LLC and Subsidiaries  
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Notes to Consolidated Financial Statements (continued)

**7. Commitments and Contingencies (continued)**

*Electric Utility Entry into Telecommunications and Cable Television* – The 1996 Telecom Act provides that registered utility holding companies and subsidiaries may provide telecommunications services, including cable television, notwithstanding the Public Utility Holding Company Act. Electric utilities must establish separate subsidiaries, known as “exempt telecommunications companies,” and must apply to the FCC for operating authority. Like telephone companies, electric utilities have substantial resources at their disposal, and could be formidable competitors to traditional cable systems. Several of these utilities have been granted broad authority to engage in activities that could include the provision of video programming.

*Must Carry and Retransmission Consent* – The 1992 Cable Act contains broadcast signal carriage requirements. Broadcast signal carriage is the transmission of broadcast television signals over a cable system to cable customers. These requirements, among other things, allow local commercial television broadcast stations to elect once every three years between “must carry” status or “retransmission consent” status. Less popular stations typically elect must carry, which is the broadcast signal carriage rule that allows local commercial television broadcast stations to require a cable system to carry the station. Must carry requests can dilute the appeal of a cable system’s programming offerings because a cable system with limited channel capacity may be required to forego carriage of popular channels in favor of less popular broadcast stations electing must carry. More popular stations, such as those affiliated with a national network, typically elect retransmission consent, which is the broadcast signal carriage rule that allows local commercial television broadcast stations to negotiate terms (such as mandating carriage of an affiliated cable network or a digital broadcast signal) for granting permission to the cable operator to carry the stations. Retransmission consent demands may require substantial payments or other concessions.

*Access Channels* – Local franchising authorities can include franchise provisions requiring cable operators to set aside certain channels for public, educational, and governmental access programming. Federal law also requires cable systems to designate a portion of their channel capacity, up to 15% in some cases, for commercial leased access by unaffiliated third parties. The FCC has adopted rules regulating the terms, conditions, and maximum rates a cable operator may charge for commercial leased access use.

*Inside Wiring* – In an order issued in 1997, the FCC established rules that require an incumbent cable operator, upon expiration of a multiple dwelling unit service contract, to sell, abandon, or remove “home run” wiring that was installed by the cable operator in a multiple dwelling unit

WaveDivision Holdings, LLC and Subsidiaries  
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Notes to Consolidated Financial Statements (continued)

**7. Commitments and Contingencies (continued)**

building. These inside wiring rules are expected to assist building owners in their attempts to replace existing cable operators with new programming providers who are willing to pay the building owner a fee where permissible.

*State and Local Regulation* – Cable television systems generally are operated pursuant to nonexclusive franchises granted by a municipality or other state or local government entity in order to cross public rights-of-way. Federal law now prohibits local franchising authorities from granting exclusive franchises or from unreasonably refusing to award additional or renew existing franchises.

Cable franchises generally are granted for fixed terms and, in many cases, include monetary penalties for noncompliance and may be terminable if the franchisee fails to comply with material provisions. The specific terms and conditions of franchises vary materially among jurisdictions. Each franchise generally contains provisions governing cable operations, service rates, franchising fees, system construction and maintenance obligations, system channel capacity, design and technical performance, customer service standards, and indemnification protections. A number of states subject cable systems to the jurisdiction of centralized state governmental agencies, some which impose regulation of a character similar to that of a public utility. Although local franchising authorities have considerable discretion in establishing franchise terms, there are certain federal limitations. For example, local franchising authorities cannot insist on franchise fees exceeding 5% of the system's gross cable-related revenues, cannot dictate the particular technology used by the system, and cannot specify video programming other than identifying broad categories of programming.

Federal law contains renewal procedures designed to protect incumbent franchisees against arbitrary denials of renewal. Even if a franchise is renewed, the local franchising authority may seek to impose new and more onerous requirements, such as significant upgrades in facilities and service or increased franchise fees as a condition of renewal. Historically, most franchises have been renewed and transfer consents granted to cable operators that have provided satisfactory services and have complied with the terms of their franchise.

**8. Member Contributions and Preferences**

In March 2003, the Company entered into certain Unit Subscription agreements whereby the Company issued 32,777,777 A Units for cash consideration of \$32,777,777. In October, the Company issued an additional 36,500,000 A Units for cash consideration of \$36,500,000.

WaveDivision Holdings, LLC and Subsidiaries  
(a majority owned subsidiary of Sandler Capital Partners V, L.P.)

Notes to Consolidated Financial Statements (continued)

**8. Member Contributions and Preferences (continued)**

In addition, the Company authorized the issuance of 1,000,000 B Units and 1,000,000 C Units to be used as compensation for certain members of management. The B and C Units are issued and outstanding, but are subject to forfeiture if the employee terminates his or her employment under certain circumstances. In March 2003, 1,000,000 B Units and 1,000,000 C Units were allocated to members of management. The forfeiture provisions for the B and C Units lapse 20% immediately, with the remainder lapsing over four years, as long as the person remains employed with the Company.

In the event of any distribution of assets upon liquidation of the Company, holders of A Units shall receive all of their initial capital contributed, plus a 5% annual preferential return. After this distribution, A Unit holders and B Unit holders share equally. C Unit holder shall be entitled to a distribution equal to the distribution to A Unit holders and B Unit holders after A Unit holders have received three times their capital contribution, plus a 5% annual return, and after B Unit holders receive 15% of the return provided to A Unit holders. Each Unit holder has voting rights equivalent to the number of Units issued.

The B Units were deemed to have a fair value of \$1 per Unit and the C Units were deemed to have no value on the date of issuance. The Company recorded deferred compensation of \$1,000,000 upon the issuance of the B and C Units in March 2003. During the years ended December 31, 2004 and 2003, \$204,000 and \$313,542, respectively, of the deferred compensation was recognized as compensation in the accompanying consolidated statement of operations. In addition, of the B and C Units issued, 154,000 B and 154,000 C Units are fully vested as of December 31, 2003.

The LLC agreement stipulates that the net income (loss) will be allocated to the Unit holders as follows:

(1) Net Income:

- (First) – To A Unit holders based upon a formula as described in the LLC agreement;
- (Second) – To B Unit holders based upon a formula as described in the LLC agreement;
- (Third) – To C Unit holders based upon a formula as described in the LLC agreement; and
- (Fourth) – To all Unit holders in proportion to their percentage interests.

WaveDivision Holdings, LLC and Subsidiaries  
(a majority owned subsidiary of Sandler Capital Partners V, L.P.)

Notes to Consolidated Financial Statements (continued)

**8. Member Contributions and Preferences (continued)**

(2) Net Loss:

(First) – To all Unit holders in reverse order of the profit allocations described above; and

(Second) – To the A Unit holders in proportion to their percentage interests.

To the extent the allocations of net losses causes a Unit holder to have an adjusted capital account deficit, such net losses would be reallocated to the other Unit holders in proportion to their percentage interests.

**9. Long-Term Incentive Bonus Plan**

In 2004, the Company adopted a Unit Appreciation Plan (the UA Plan) for management and certain employees. Under terms of the UA Plan, the Management Committee may grant Unit Appreciation Interest (UAP Interest) to certain employees of the Company. Upon adoption of the UA Plan, 2,000,000 UAP Interests were reserved for future issuance. At December 31, 2004, there were 625,000 UAP Interests issued, with 157,379 vested under the UA Plan. The UAP Interests are granted with a base price, which is determined by the Management Committee. The UAP Interests represent the right to receive a cash payment equal in value to the difference between the base price of the UAP Interests and the value of the UAP Interests on a change in control, as defined by the UA Plan. The UAP Interests generally vest over five years. The Company will record a liability for the UAP Interests when it is probable that there will be a change in control.

**10. Subsequent Event**

On March 24, 2005, the Company entered into a definitive asset purchase agreement with a third party to purchase substantially all of the operating assets and approximately 6,400 subscribers in Cerritos, California for \$10,000,000, subject to certain adjustments. The Company expects to finance the acquisition through additional borrowing under its Credit Facility. The transaction is expected to close in the second half of 2005.

**EXHIBIT C**  
**CERTIFICATION OF APPLICANT**  
**WAVEDIVISION HOLDINGS, LLC**

**CERTIFICATION OF APPLICANT**

On behalf of WaveDivision Holdings, LLC ("Wave") and in accordance with Sections 1.2001-1.2003 of the Commission's Rules, 47 C.F.R. §11.2001-12003, I hereby certify that neither Wave, its officers and directors, nor any party with a five percent or greater interest in Wave, is subject to a denial of the Federal benefits requested herein pursuant to Section 3301 of the Anti-Drug Abuse Act of 1988. See 21 U.S.C. § 853(a). I also hereby certify that the statements in the foregoing application are true, complete, and correct to the best of my knowledge and are made in good faith.

Wave has not agreed to accept any concessions directly or indirectly from any foreign carrier or administration with respect to traffic or revenue flow between the United States and various international points under the authority granted under Section 214 of the Communications Act of 1934, as amended, and the Commission's Rules, and has not agreed to enter into such agreements in the future.

Pursuant to Section 63.18(j) of the Commission's Rules, 47 C.F.R. § 63.18(j), I certify that Wave is neither a foreign carrier nor affiliated with a foreign carrier as defined by the Commission's Rules.

Further, pursuant to Section 63.18(j) of the Commission's Rules, 47 C.F.R. § 63.18(j), I certify that Wave does not intend to provide international telecommunications services to a destination country for which: (1) Wave is a foreign carrier in that country; or (2) Wave controls a foreign carrier in that country; or (3) any entity that owns more than 25 percent of Wave controls a foreign carrier in that country; or (4) two or more foreign carriers (or parties that control foreign carriers) own, in the aggregate, more than 25 percent of Wave and are parties to, or the beneficiaries of, a contractual relation (e.g., a joint venture or market alliance) affecting the provision or marketing of international basic telecommunications services in the United States.

WAVEDIVISION HOLDINGS, LLC

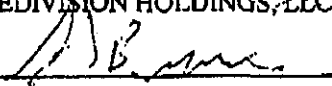
By:   
Name: Steve B. Weed  
Title: CEO  
Date: 6-29-05



EXHIBIT D  
CERTIFICATIONS OF AUTHORIZED CARRIER  
SEREN INNOVATIONS, INC.

**CERTIFICATIONS OF AUTHORIZED CARRIER**

On behalf of Seren Innovations, Inc. ("Seren") and in accordance with Sections 1.2001-1.2003 of the Commission's Rules, 47 C.F.R. §§ 1.2001-1,2003, I hereby certify that neither Seren, its officers and directors, nor any party with a five percent or greater interest in Seren, is subject to a denial of the Federal benefits requested herein pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988. See 21 U.S.C. § 853(a). I also hereby certify that the statements in the foregoing application are true, complete, and correct to the best of my knowledge and are made in good faith.

SEREN INNOVATIONS, INC.

By: James H. Gamble  
Name: James H. Gamble  
Title: Vice President  
Date: 6-29-05